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## **CURRENT SUPPORT BRIEF**

**EXAGGERATION OF 1959 PRODUCTION CLAIMS BY COMMUNIST CHINA**

**OFFICE OF RESEARCH AND REPORTS**

**CENTRAL INTELLIGENCE AGENCY**

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EXAGGERATION OF 1959 PRODUCTION CLAIMS BY COMMUNIST CHINA

Although Communist China made considerable economic progress in 1959, claims by the regime that the value of output in industry and agriculture rose 31.1 percent above 1958 are greatly exaggerated. The claims, issued from Peiping on 21 January, may be summed up as follows: 1/

<u>Item</u>	<u>Claimed 1958 Value of Output (billion yuan)</u>	<u>Claimed 1959 Value of Output (billion yuan)</u>	<u>Claimed 1959 Index (1958 = 100)</u>
Industrial Production	117.0	163.0	139.3
Agriculture Production	<u>67.1</u> 184.1	<u>78.3</u> 241.3	<u>116.7</u> 131.1

Preliminary analysis of these claims--which also included figures for major individual commodities--shows the following probable weaknesses: (a) They are based on "gross value" figures, which usually give an upward bias, in contrast to "value added" figures; (b) They, in the case of individual commodities, include an unspecified but probably increased proportion of hitherto uncounted handicraft production; (c) They, notably in the case of agriculture, are not consistent with other information on the Chinese Communist economy; (d) They represent a tremendous expansion of economic activity beyond the "leap forward" levels of 1958, whereas 1959 has been a year of "tidying up", that is, a year of consolidating the large gains of 1958 and of remedying the imbalances that accompanied these gains. Furthermore, the statistical recantation of August 1959, when several of the major claims for 1958 were painfully scaled down by the regime, serves as an excellent warning about taking Chinese Communist production figures at face value.

Specifically, while industry did very well in Communist China in 1959, growth in industrial output is estimated to be closer to 25 percent than to the 39 percent claimed. Agriculture had a decidedly poor year and production, rather than increasing 17 percent, fell off because of drought and flood. For example, grain production, which allegedly rose 8 percent, was an estimated 5 to 7 percent below 1958. Finally, national income instead of rising 21.6 percent, as claimed, probably rose about 12 percent in 1959.

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